



QUARTERLY STATEMENT

AS OF MARCH 31, 2016
OF THE CONDITION AND AFFAIRS OF THE

Merit Health Insurance Company

| | | | | | | |
|---------------------------------------|----------------------------------|----------------|---|---|--------------------------------|------------|
| NAIC Group Code | 01260 | 01260 | NAIC Company Code | 18750 | Employer's ID Number | 36-3856181 |
| | (Current Period) | (Prior Period) | | | | |
| Organized under the Laws of | Illinois | | State of Domicile or Port of Entry | Illinois | | |
| Country of Domicile | United States | | | | | |
| Licensed as business type: | Life, Accident & Health [X] | | Property/Casualty [] | Hospital, Medical & Dental Service or Indemnity [] | | |
| | Dental Service Corporation [] | | Vision Service Corporation [] | Health Maintenance Organization [] | | |
| | Other [] | | | Is HMO Federally Qualified? Yes [] No [] | | |
| Incorporated/Organized | 01/08/1993 | | Commenced Business | 01/08/1993 | | |
| Statutory Home Office | 5215 Old Orchard Road, Suite 600 | | Skokie, IL, US 60077 | | | |
| | (Street and Number) | | (City or Town, State, Country and Zip Code) | | | |
| Main Administrative Office | 5215 Old Orchard Road, Suite 600 | | Skokie, IL, US 60077 | | 224-935-9809 | |
| | (Street and Number) | | (City or Town, State, Country and Zip Code) | | (Area Code) (Telephone Number) | |
| Mail Address | 5215 Old Orchard Road, Suite 600 | | Skokie, IL, US 60077 | | | |
| | (Street and Number or P.O. Box) | | (City or Town, State, Country and Zip Code) | | | |
| Primary Location of Books and Records | 14100 Magellan Plaza | | Maryland Heights, MO, US 63043 | | 314-387-5006 | |
| | (Street and Number) | | (City or Town, State, Country and Zip Code) | | (Area Code) (Telephone Number) | |
| Internet Web Site Address | N/A | | | | | |
| Statutory Statement Contact | David P. Kunz | | 314-387-5006 | | | |
| | (Name) | | (Area Code) (Telephone Number) (Extension) | | | |
| | dpkunz@magellanhealth.com | | 314-387-5407 | | | |
| | (E-Mail Address) | | (FAX Number) | | | |

OFFICERS

| Name | Title | Name | Title |
|---------------------|-----------|----------------------|-----------|
| Mostafa Kamal | President | Andrew Mark Cummings | Secretary |
| Jeffrey Nelson West | Treasurer | | |

OTHER OFFICERS

| | | | |
|----------------------|---------------------|---------------------------|---------------------|
| Linton Clarke Newlin | Vice-President | Michael Patrick McQuillen | Assistant Secretary |
| John DiBernardi | Assistant Secretary | Sanjeev Srivastava | Vice-President |
| Anne McCabe | Vice-President | | |

DIRECTORS OR TRUSTEES

| | | | |
|---------------|--------------------|-----------------------|---------------------|
| Mostafa Kamal | Michael Vallino | Julie Ann Billingsley | Jeffrey Nelson West |
| Barry Smith | Sanjeev Srivastava | Thomas Sak | Daniel Gregoire |

State of

ss

County of

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

| | | |
|---------------|----------------------|---------------------|
| Mostafa Kamal | Andrew Mark Cummings | Jeffrey Nelson West |
| President | Secretary | Treasurer |

a. Is this an original filing? Yes [X] No []

- b. If no:
1. State the amendment number
 2. Date filed
 3. Number of pages attached

Subscribed and sworn to before me this
day of ,

STATEMENT AS OF MARCH 31, 2016 OF THE Merit Health Insurance Company

ASSETS

| | Current Statement Date | | | 4 December 31 Prior Year Net Admitted Assets |
|---|------------------------|-----------------------------|---|---|
| | 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | |
| 1. Bonds | 13,109,311 | | 13,109,311 | 13,163,538 |
| 2. Stocks: | | | | |
| 2.1 Preferred stocks | | | 0 | 0 |
| 2.2 Common stocks | 10,117,256 | | 10,117,256 | 9,105,465 |
| 3. Mortgage loans on real estate: | | | | |
| 3.1 First liens | | | 0 | 0 |
| 3.2 Other than first liens | | | 0 | 0 |
| 4. Real estate: | | | | |
| 4.1 Properties occupied by the company (less \$ encumbrances) | | | 0 | 0 |
| 4.2 Properties held for the production of income (less \$ encumbrances) | | | 0 | 0 |
| 4.3 Properties held for sale (less \$ encumbrances) | | | 0 | 0 |
| 5. Cash (\$1,447,297), cash equivalents (\$3,905,235) and short-term investments (\$21,030,783) | 26,383,314 | | 26,383,314 | 33,672,686 |
| 6. Contract loans (including \$ premium notes) | | | 0 | 0 |
| 7. Derivatives | 0 | | 0 | 0 |
| 8. Other invested assets | 0 | | 0 | 0 |
| 9. Receivables for securities | | | 0 | 0 |
| 10. Securities lending reinvested collateral assets | | | 0 | 0 |
| 11. Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) | 49,609,882 | 0 | 49,609,882 | 55,941,688 |
| 13. Title plants less \$ charged off (for Title insurers only) | | | 0 | 0 |
| 14. Investment income due and accrued | 274,317 | | 274,317 | 404,869 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection | 489,453 | | 489,453 | 987,041 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums) | | | 0 | 0 |
| 15.3 Accrued retrospective premiums (\$) and contracts subject to redetermination (\$) | 4,978,700 | | 4,978,700 | 0 |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers | | | 0 | 0 |
| 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| 16.3 Other amounts receivable under reinsurance contracts | | | 0 | 0 |
| 17. Amounts receivable relating to uninsured plans | 7,182,150 | | 7,182,150 | 5,039,016 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon | | | 0 | 0 |
| 18.2 Net deferred tax asset | | | 0 | 0 |
| 19. Guaranty funds receivable or on deposit | | | 0 | 0 |
| 20. Electronic data processing equipment and software | | | 0 | 0 |
| 21. Furniture and equipment, including health care delivery assets (\$) | | | 0 | 0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. Receivables from parent, subsidiaries and affiliates | 0 | | 0 | 2,604,883 |
| 24. Health care (\$) and other amounts receivable | 12,526,845 | | 12,526,845 | 0 |
| 25. Aggregate write-ins for other-than-invested assets | 826,146 | 0 | 826,146 | 0 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 75,887,492 | 0 | 75,887,492 | 64,977,497 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 28. Total (Lines 26 and 27) | 75,887,492 | 0 | 75,887,492 | 64,977,497 |
| DETAILS OF WRITE-INS | | | | |
| 1101. | | | 0 | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | 0 | 0 | 0 | 0 |
| 2501. Health Insurance Fee Receivable | 826,146 | | 826,146 | 0 |
| 2502. | | | | |
| 2503. | | | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | 826,146 | 0 | 826,146 | 0 |

LIABILITIES, CAPITAL AND SURPLUS

| | Current Period | | | Prior Year |
|---|----------------|----------------|------------|------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$ reinsurance ceded)..... | 4,278,729 | | 4,278,729 | 9,213,524 |
| 2. Accrued medical incentive pool and bonus amounts | | | 0 | 0 |
| 3. Unpaid claims adjustment expenses | 39,078 | | 39,078 | 65,689 |
| 4. Aggregate health policy reserves including the liability of \$ for medical loss ratio rebate per the Public Health Service Act | | | 0 | 0 |
| 5. Aggregate life policy reserves | | | 0 | 0 |
| 6. Property/casualty unearned premium reserve | | | 0 | 0 |
| 7. Aggregate health claim reserves | | | 0 | 0 |
| 8. Premiums received in advance | | | 0 | 0 |
| 9. General expenses due or accrued | 3,360,756 | | 3,360,756 | 901,060 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses)) | 364,477 | | 364,477 | 6,876,973 |
| 10.2 Net deferred tax liability..... | | | 0 | 0 |
| 11. Ceded reinsurance premiums payable | | | 0 | 0 |
| 12. Amounts withheld or retained for the account of others | 693,654 | | 693,654 | 0 |
| 13. Remittances and items not allocated | | | 0 | 0 |
| 14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current) | | | 0 | 0 |
| 15. Amounts due to parent, subsidiaries and affiliates | 18,808,411 | | 18,808,411 | 0 |
| 16. Derivatives..... | | 0 | 0 | 0 |
| 17. Payable for securities | | | 0 | 0 |
| 18. Payable for securities lending | | | 0 | 0 |
| 19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and \$ certified reinsurers) | | | 0 | 0 |
| 20. Reinsurance in unauthorized and certified (\$) companies | | | 0 | 0 |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 22. Liability for amounts held under uninsured plans | | | 0 | 0 |
| 23. Aggregate write-ins for other liabilities (including \$ current) | 0 | 0 | 0 | 2,141 |
| 24. Total liabilities (Lines 1 to 23)..... | 27,545,104 | 0 | 27,545,104 | 17,059,387 |
| 25. Aggregate write-ins for special surplus funds | XXX | XXX | 0 | 0 |
| 26. Common capital stock | XXX | XXX | 1,500,000 | 1,500,000 |
| 27. Preferred capital stock | XXX | XXX | | 0 |
| 28. Gross paid in and contributed surplus | XXX | XXX | 21,020,000 | 21,020,000 |
| 29. Surplus notes | XXX | XXX | | 0 |
| 30. Aggregate write-ins for other-than-special surplus funds | XXX | XXX | 0 | 0 |
| 31. Unassigned funds (surplus) | XXX | XXX | 25,822,387 | 25,398,110 |
| 32. Less treasury stock, at cost: | | | | |
| 32.1 shares common (value included in Line 26 \$) | XXX | XXX | | 0 |
| 32.2 shares preferred (value included in Line 27 \$) | XXX | XXX | | 0 |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32) | XXX | XXX | 48,342,387 | 47,918,110 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) | XXX | XXX | 75,887,492 | 64,977,497 |
| DETAILS OF WRITE-INS | | | | |
| 2301. Health Insurance Fee reimbursement overpayment..... | 0 | | 0 | 2,141 |
| 2302. | | | | |
| 2303. | | | | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above) | 0 | 0 | 0 | 2,141 |
| 2501. | XXX | XXX | | |
| 2502. | XXX | XXX | | |
| 2503. | XXX | XXX | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | XXX | XXX | 0 | 0 |
| 2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) | XXX | XXX | 0 | 0 |
| 3001. | XXX | XXX | | |
| 3002. | XXX | XXX | | |
| 3003. | XXX | XXX | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page | XXX | XXX | 0 | 0 |
| 3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above) | XXX | XXX | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year To Date | | Prior Year To Date | Prior Year Ended December 31 |
|---|----------------------|-------------|--------------------|---------------------------------|
| | 1 Uncovered | 2 Total | 3 Total | 4 Total |
| 1. Member Months..... | XXX | 117,945 | 871,703 | 3,328,820 |
| 2. Net premium income (including \$ non-health premium income)..... | XXX | 10,289,731 | 0 | 114,753,957 |
| 3. Change in unearned premium reserves and reserve for rate credits | XXX | 4,978,700 | 0 | 0 |
| 4. Fee-for-service (net of \$ medical expenses) | XXX | | 0 | 0 |
| 5. Risk revenue | XXX | | 31,049,354 | 0 |
| 6. Aggregate write-ins for other health care related revenues | XXX | 826,146 | 980,454 | 3,788,503 |
| 7. Aggregate write-ins for other non-health revenues | XXX | 0 | 0 | 0 |
| 8. Total revenues (Lines 2 to 7) | XXX | 16,094,577 | 32,029,808 | 118,542,460 |
| Hospital and Medical: | | | | |
| 9. Hospital/medical benefits | | (1,289,660) | 11,625,942 | 43,555,245 |
| 10. Other professional services | | | 4,598,837 | 51,859,162 |
| 11. Outside referrals | | | 0 | 0 |
| 12. Emergency room and out-of-area | | | 0 | 0 |
| 13. Prescription drugs | | 15,623,035 | 0 | 0 |
| 14. Aggregate write-ins for other hospital and medical..... | 0 | 0 | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | | 0 | 0 |
| 16. Subtotal (Lines 9 to 15) | 0 | 14,333,375 | 16,224,779 | 95,414,407 |
| Less: | | | | |
| 17. Net reinsurance recoveries | | | 0 | 0 |
| 18. Total hospital and medical (Lines 16 minus 17) | 0 | 14,333,375 | 16,224,779 | 95,414,407 |
| 19. Non-health claims (net)..... | | | 0 | 0 |
| 20. Claims adjustment expenses, including \$ cost containment expenses..... | | 21,502 | 596,294 | 1,928,570 |
| 21. General administrative expenses..... | | 3,040,674 | 3,054,722 | 4,207,173 |
| 22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)..... | | | 0 | 0 |
| 23. Total underwriting deductions (Lines 18 through 22) | 0 | 17,395,550 | 19,875,796 | 101,550,150 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) | XXX | (1,300,974) | 12,154,012 | 16,992,310 |
| 25. Net investment income earned | | 51,894 | 51,058 | 241,904 |
| 26. Net realized capital gains (losses) less capital gains tax of \$ | | | 0 | 3,920 |
| 27. Net investment gains (losses) (Lines 25 plus 26) | 0 | 51,894 | 51,058 | 245,824 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)] | | | 0 | 0 |
| 29. Aggregate write-ins for other income or expenses | 0 | 0 | 0 | 0 |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) | XXX | (1,249,080) | 12,205,070 | 17,238,134 |
| 31. Federal and foreign income taxes incurred | XXX | 339,233 | 5,146,446 | 6,876,973 |
| 32. Net income (loss) (Lines 30 minus 31) | XXX | (1,588,313) | 7,058,624 | 10,361,160 |
| DETAILS OF WRITE-INS | | | | |
| 0601. Health Insurance Fee..... | XXX | 826,146 | 980,454 | 3,788,503 |
| 0602. | XXX | | | |
| 0603. | XXX | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | XXX | 0 | 0 | 0 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) | XXX | 826,146 | 980,454 | 3,788,503 |
| 0701. | XXX | | | |
| 0702. | XXX | | | |
| 0703. | XXX | | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page | XXX | 0 | 0 | 0 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) | XXX | 0 | 0 | 0 |
| 1401. | | | 0 | 0 |
| 1402. | | | | |
| 1403. | | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page | 0 | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) | 0 | 0 | 0 | 0 |
| 2901. | | | | |
| 2902. | | | | |
| 2903. | | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page | 0 | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) | 0 | 0 | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | 1 | 2 | 3 |
|--|-------------------------|-----------------------|------------------------------------|
| | Current Year To Date | Prior Year To Date | Prior Year Ended December 31 |
| CAPITAL & SURPLUS ACCOUNT | | | |
| 33. Capital and surplus prior reporting year..... | 47,918,109 | 26,958,468 | 26,958,468 |
| 34. Net income or (loss) from Line 32 | (1,588,313) | 7,058,624 | 10,361,160 |
| 35. Change in valuation basis of aggregate policy and claim reserves | | 0 | 0 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ | 1,011,791 | 371,015 | 3,523,013 |
| 37. Change in net unrealized foreign exchange capital gain or (loss) | | 0 | 0 |
| 38. Change in net deferred income tax | | 0 | 0 |
| 39. Change in nonadmitted assets | 1,000,800 | 1,371,637 | 7,075,467 |
| 40. Change in unauthorized and certified reinsurance | 0 | 0 | 0 |
| 41. Change in treasury stock | | 0 | 0 |
| 42. Change in surplus notes | 0 | 0 | 0 |
| 43. Cumulative effect of changes in accounting principles | | 0 | 0 |
| 44. Capital Changes: | | | |
| 44.1 Paid in | | 0 | 0 |
| 44.2 Transferred from surplus (Stock Dividend) | | 0 | 0 |
| 44.3 Transferred to surplus | | 0 | 0 |
| 45. Surplus adjustments: | | | |
| 45.1 Paid in | | 0 | 0 |
| 45.2 Transferred to capital (Stock Dividend) | 0 | 0 | 0 |
| 45.3 Transferred from capital | | 0 | 0 |
| 46. Dividends to stockholders | | 0 | 0 |
| 47. Aggregate write-ins for gains or (losses) in surplus | 0 | 0 | 0 |
| 48. Net change in capital and surplus (Lines 34 to 47) | 424,278 | 8,801,275 | 20,959,641 |
| 49. Capital and surplus end of reporting period (Line 33 plus 48) | 48,342,387 | 35,759,743 | 47,918,109 |
| DETAILS OF WRITE-INS | | | |
| 4701. | | | |
| 4702. | | | |
| 4703. | | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page | 0 | 0 | 0 |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above) | 0 | 0 | 0 |

CASH FLOW

| | 1 Current Year To Date | 2 Prior Year To Date | 3 Prior Year Ended December 31 |
|--|------------------------------|----------------------------|--------------------------------------|
| Cash from Operations | | | |
| 1. Premiums collected net of reinsurance..... | 11,480,973 | 0 | 114,419,219 |
| 2. Net investment income | 236,672 | 174,773 | 512,489 |
| 3. Miscellaneous income | (2,141) | 34,240,672 | 6,692,605 |
| 4. Total (Lines 1 to 3) | 11,715,504 | 34,415,445 | 121,624,313 |
| 5. Benefit and loss related payments | 12,356,626 | 24,404,602 | 109,999,217 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | 0 | 0 | 0 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions | (2,623,796) | (1,927,577) | (1,179,964) |
| 8. Dividends paid to policyholders | 0 | 0 | 0 |
| 9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)..... | 6,851,729 | 0 | 5,056,644 |
| 10. Total (Lines 5 through 9) | 16,584,559 | 22,477,025 | 113,875,897 |
| 11. Net cash from operations (Line 4 minus Line 10) | (4,869,055) | 11,938,420 | 7,748,416 |
| Cash from Investments | | | |
| 12. Proceeds from investments sold, matured or repaid: | | | |
| 12.1 Bonds | 0 | 3,600,000 | 19,451,826 |
| 12.2 Stocks | 0 | 0 | 0 |
| 12.3 Mortgage loans | 0 | 0 | 0 |
| 12.4 Real estate | 0 | 0 | 0 |
| 12.5 Other invested assets | 0 | 0 | 0 |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 0 | (1,705) |
| 12.7 Miscellaneous proceeds | 0 | 0 | 0 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 0 | 3,600,000 | 19,450,121 |
| 13. Cost of investments acquired (long-term only): | | | |
| 13.1 Bonds | 0 | 635,075 | 6,268,863 |
| 13.2 Stocks | 0 | 0 | 1,700,000 |
| 13.3 Mortgage loans | 0 | 0 | 0 |
| 13.4 Real estate | 0 | 0 | 0 |
| 13.5 Other invested assets | 0 | 0 | 0 |
| 13.6 Miscellaneous applications | 0 | 0 | 0 |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) | 0 | 635,075 | 7,968,863 |
| 14. Net increase (or decrease) in contract loans and premium notes | 0 | 0 | 0 |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) | 0 | 2,964,925 | 11,481,258 |
| Cash from Financing and Miscellaneous Sources | | | |
| 16. Cash provided (applied): | | | |
| 16.1 Surplus notes, capital notes | 0 | 0 | 0 |
| 16.2 Capital and paid in surplus, less treasury stock..... | 0 | 0 | 0 |
| 16.3 Borrowed funds | 0 | 0 | 0 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities | 0 | 0 | 0 |
| 16.5 Dividends to stockholders | 0 | 0 | 0 |
| 16.6 Other cash provided (applied)..... | (2,420,316) | (7,314,625) | (12,724,366) |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)..... | (2,420,316) | (7,314,625) | (12,724,365) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (7,289,372) | 7,588,720 | 6,505,308 |
| 19. Cash, cash equivalents and short-term investments: | | | |
| 19.1 Beginning of year..... | 33,672,686 | 27,167,377 | 27,167,377 |
| 19.2 End of period (Line 18 plus Line 19.1) | 26,383,314 | 34,756,097 | 33,672,686 |

STATEMENT AS OF MARCH 31, 2016 OF THE Merit Health Insurance Company

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|--------------|---------------------------------------|-------|------------------------|----------------|----------------|---|-------------------------|-----------------------|-------------|
| | | 2 | 3 | | | | | | | |
| | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| Total Members at end of: | | | | | | | | | | |
| 1. Prior Year | 4,422 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | 4,422 | .0 |
| 2. First Quarter | 42,140 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | 42,140 |
| 3. Second Quarter | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 4. Third Quarter | .0 | | | | | | | | | |
| 5. Current Year | 0 | | | | | | | | | |
| 6. Current Year Member Months | 0 | | | | | | | | | |
| Total Member Ambulatory Encounters for Period: | | | | | | | | | | |
| 7. Physician | .0 | | | | | | | | | |
| 8. Non-Physician | 0 | | | | | | | | | |
| 9. Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Hospital Patient Days Incurred | 0 | | | | | | | | | |
| 11. Number of Inpatient Admissions | 0 | | | | | | | | | |
| 12. Health Premiums Written (a)..... | 10,289,731 | | | | | | | | (16,589) | 10,306,319 |
| 13. Life Premiums Direct..... | .0 | | | | | | | | | |
| 14. Property/Casualty Premiums Written | .0 | | | | | | | | | |
| 15. Health Premiums Earned | 15,268,431 | | | | | | | | (16,589) | 15,285,019 |
| 16. Property/Casualty Premiums Earned | .0 | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | (12,356,626) | | | | | | | | (3,645,136) | (8,711,490) |
| 18. Amount Incurred for Provision of Health Care Services | 14,333,374 | | | | | | | | (1,289,660) | 15,623,034 |

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

| Line of Business | Claims Paid Year to Date | | Liability End of Current Quarter | | 5 Claims Incurred in Prior Years (Columns 1 + 3) | 6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year |
|---|---|---|--|---|---|--|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid Dec. 31 of Prior Year | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital and medical) | | | | |0 |0 |
| 2. Medicare Supplement | | | | |0 |0 |
| 3. Dental only | | | | |0 |0 |
| 4. Vision only | | | | |0 |0 |
| 5. Federal Employees Health Benefits Plan | | | | |0 |0 |
| 6. Title XVIII - Medicare | | | | |0 |0 |
| 7. Title XIX - Medicaid |2,095,321 |1,549,814 |3,906,133 |372,595 |6,001,454 |9,213,524 |
| 8. Other health | |15,623,035 |0 |0 |0 |0 |
| 9. Health subtotal (Lines 1 to 8)..... |2,095,321 |17,172,849 |3,906,133 |372,595 |6,001,454 |9,213,524 |
| 10. Health care receivables (a) | | | | |0 |0 |
| 11. Other non-health | | | | |0 |0 |
| 12. Medical incentive pools and bonus amounts | | | | |0 |0 |
| 13. Totals (Lines 9-10+11+12) | 2,095,321 | 17,172,849 | 3,906,133 | 372,595 | 6,001,454 | 9,213,524 |

(a) Excludes \$ loans or advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

(A) - Accounting Practices

Merit Health Insurance Company (the “Company”) prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the Illinois Department of Insurance (the “Department”), which represents a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The Department requires that insurance companies domiciled in Illinois prepare their statutory-basis financial statements in accordance with the Codified National Association of Insurance Commissioners’ (“NAIC”) Statements of Statutory Accounting Principles (“SSAP”), subject to any deviations prescribed or permitted by the Department. The Company is not aware of any differences between the NAIC and the Department with respect to accounting practices that would have an impact on the accompanying statutory-basis financial statements. In addition, the accompanying statutory-basis financial statements have been prepared in accordance with the Annual Statement instructions and the NAIC Accounting Practices and Procedures manual.

| State of Domicile: Illinois | | 2016 | 2015 |
|---|--|----------------|---------------|
| Net Income | | | |
| Merit Health Insurance Company State Basis test | | \$ (1,588,313) | \$ 10,361,160 |
| State Prescribe Practices that increase/(decrease) NAIC SAP | | \$ - | \$ - |
| State Permitted Practices that increase/(decrease) NAIC SAP | | \$ - | \$ - |
| NAIC SAP | | \$ (1,588,313) | \$ 10,361,160 |
| SURPLUS | | | |
| Merit Health Insurance Company State Basis | | \$ 48,342,388 | \$ 47,918,110 |
| State Prescribe Practices that increase/(decrease) NAIC SAP | | \$ - | \$ - |
| State Permitted Practices that increase/(decrease) NAIC SAP | | \$ - | \$ - |
| NAIC SAP | | \$ 48,342,388 | \$ 47,918,110 |

(B) - Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates of the Company include, among other things, contract receivables realization and the establishment of claims unpaid reserves. Actual results could differ from those estimates.

(C) – Accounting Policies

Fair Value of Financial Instruments

The Company currently does not have any assets or liabilities that are required to be measured at fair value on a recurring basis. SSAP No. 100 “Fair Value Measurements”, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value. The carrying value of the Company’s financial instruments classified as current assets (other than short-term investments) and current liabilities approximate fair value due to their short maturities. As of December 31, 2015, the carrying value and fair value of the Company’s short-term investments totaled \$31,634,782 and \$31,600,514, respectively, the carrying value and fair value of the Company’s long-term investments totaled \$13,163,538 and \$13,143,766, respectively, and both the carrying value and fair value of the Company’s common stock investments totaled \$9,105,465. As of March 31, 2016, the carrying value and fair value of the Company’s short-term investments totaled \$21,030,783 and \$21,023,306, respectively, the carrying value and fair value of the Company’s long-term investments totaled \$13,109,311 and \$13,110,927, respectively, and both the carrying value and fair value of the Company’s common stock investments totaled \$10,117,256.

Cash, Cash Equivalents and Short-term Investments

Cash consists of cash on hand and in financial institutions, along with certificates of deposit with maturity dates at the time of acquisition of one year or less. Cash equivalents are short-term, highly liquid interest-bearing investments with maturity dates of three months or less when acquired. Short-term investments have maturities of one year or less at the time of acquisition (excluding those investments classified as cash equivalents) and are recorded at amortized cost using the straight-line basis, except in cases where NAIC designation requires them to be carried at the lower of amortized cost or fair value. For the periods presented, the Company’s cash equivalents consist of commercial paper, and its’ short-term investments consist of exempt money market mutual funds as classified on the mutual fund lists published by the NAIC and corporate debt securities.

Long-term Investments

Long-term investments have maturities in excess of one year from the date of acquisition and are recorded at amortized cost using the straight-line basis, except in cases where NAIC designation requires them to be carried at the lower of amortized cost or fair value. For the periods presented, the Company’s long-term investments consist of corporate debt

NOTES TO FINANCIAL STATEMENTS

securities, U.S. Treasury securities, and obligations of U.S. government-sponsored agencies, which include investments in notes issued by the Federal Home Loan Bank.

Investment Securities

The Company periodically evaluates whether any declines in the fair value of investment securities are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to: the length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. Declines in value below cost for investments where it is considered probable that all contractual terms of the investment will be satisfied, the decline is due primarily to changes in interest rates (and not because of increased credit risk), and where the Company intends and has the ability to hold the investment for a period of time sufficient to allow a market recovery, are not assumed to be other-than-temporary. As of December 31, 2015 and March 31, 2016, the Company did not have any other-than-temporary impairments.

Contract Receivables

Contract receivables consist of amounts due from customers for capitated services. Collateral is generally not required. Contract receivables are admitted in the accompanying statutory-basis financial statements pursuant to the provisions of SSAP No. 84, "Certain Health Care Receivables and Receivables under Government Insured Plans" ("SSAP 84"). Evaluation of the collectability of amounts receivable is based upon factors surrounding the credit risk of specific customers, historical trends and other information. If it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

Amounts receivable relating to uninsured plans for claims and other costs paid by the administrator on behalf of the third party at risk and fees related to the services provided by the administrator to the plan are to be segregated from other receivables. In accordance with SSAP 84, receivables associated with uninsured plans are considered an admitted asset, including amounts over ninety days past due.

Revenue Recognition

Revenue associated with providing managed behavioral healthcare and substance abuse services on a risk basis is recognized over the applicable coverage period on a per member basis for covered members. The Company is paid a per member fee for all covered members, and this fee is recorded as revenue in the month in which members are entitled to service. The Company adjusts its revenue for retroactive membership terminations, additions and other changes, when such adjustments are identified, with the exception of retroactivity that can be reasonably estimated. The impact of retroactive rate amendments is generally reported in the accounting period that terms to the amendment are finalized, and that the amendment is executed. Any fees paid prior to the month of service are recorded as deferred revenue.

The CMS premium, the member premium and the low-income premium subsidy represent payments for the Company's insurance risk coverage under Medicare Part D program and, therefore, are recorded as premium revenues. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits.

LICS, catastrophic reinsurance and coverage gap subsidies from CMS represent cost reimbursements under the Medicare Part D program. Amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as deposits, with the related asset or liability recorded in either Amounts receivable related to uninsured plans, net or Amounts held under uninsured plans, net in the balance sheets.

The Company generated \$15,285,019 of premium revenue for the three months ended March 31, 2016. These premiums include a \$4,978,700 increase in amounts due from CMS under a risk sharing feature of the Medicare Part D plan design referred to as the "risk corridor". Risk corridor amounts are recorded as an adjustment to premiums. Based on settlement position, amounts due to or from CMS under the risk sharing feature are recorded in either Health Policy Reserves or Accrued Retrospective Premiums in the accompanying balance sheets.

Due to the risk corridor, the Company's business is accounted for as a retrospectively rates contract. The Company estimates amounts due to or from CMS under the risk corridor feature using a mathematical approach based on the Company's underwriting experience. It is at least reasonably possible that these estimates could differ from the amounts that are ultimately settled with CMS and that such a change in the estimates could be material to the financial statements. The amount of net premiums written during the three months ended March 31, 2016 that were subject to the retrospective feature was \$10,306,319, which represents 99% of premiums written excluding the risk corridor adjustment.

In addition to the above statements, the company uses the following accounting policies:

(1) Short-term investments are stated at amortized cost.

(2) Bonds are stated at amortized cost

(3) The only common stock owned by the Company is 100 percent ownership in Magellan Life Insurance Company (Magellan Life). The common stock investment is recorded at Magellan Life's statutory net equity balance.

NOTES TO FINANCIAL STATEMENTS

(4) None

(5) None

(6) None

(7) The Company carries the common stock investment in Magellan Life at the statutory net equity balance.

(8) None

(9) None

(10) None

(11) Claims costs are recognized in the period in which covered members receive behavioral healthcare services. In addition to actual benefits paid, claims costs include the impact of accruals for estimates of claims unpaid. Claims unpaid represents the liability for healthcare claims reported but not yet paid and claims incurred but not yet reported (“IBNR”) related to the Company’s behavioral healthcare business. Such liabilities are determined by employing actuarial methods that are commonly used by health insurance actuaries and meet actuarial standards of practice.

The IBNR portion of claims unpaid is estimated based on past claims payment experience for member groups, enrollment data, utilization statistics, authorized healthcare services and other factors. This data is incorporated into contract-specific actuarial reserve models and is further analyzed to create “completion factors” that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Factors that affect estimated completion factors include benefit changes, enrollment changes, shifts in product mix, seasonality influences, provider reimbursement changes, changes in claims inventory levels, the speed of claims processing and changes in paid claim levels. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of claims unpaid are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims. For the most recent incurred months (generally the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for any month with a completion factor that is less than 70 percent are generally not projected from historical completion and payment patterns; rather they are projected by estimating claims expense based on recent monthly estimated cost incurred per member per month times membership, taking into account seasonality influences, benefit changes and healthcare trend levels, collectively considered to be “trend factors”.

Claims unpaid balances are continually monitored and reviewed. If it is determined that the Company’s assumptions in estimating such liabilities are different than actual results, the Company’s results of operations and financial position could be impacted in future periods. Adjustments of prior period estimates may result in additional claims costs or a reduction of claims costs in the period an adjustment is made. Further, due to the considerable variability of healthcare costs, adjustments to claims unpaid occur each period and are sometimes significant as compared to the net income recorded in that period. Prior period development is recognized immediately upon the actuary’s judgment that a portion of the prior period liability is no longer needed or that additional liability should have been accrued.

Actuarial standards of practice require that claims unpaid be adequate under moderately adverse circumstances. Adverse circumstances are situations in which actual claims experience could be higher than the otherwise estimated value of such claims. In many situations, the claims paid amount experienced will be less than the estimate that satisfies the actuarial standards of practice.

(12) None

(13) Amounts recorded in the Company’s financial statements for pharmaceutical rebates are determined based on the amounts Magellan Rx expects to collect from the various pharmaceutical manufacturers.

2 Accounting Changes and Corrections of Errors

None

3 Business Combinations and Goodwill

On August 2, 1996, the Company acquired Magellan Life, a Delaware life and accident and health insurance company that had insurance licenses in 30 states. The Company has accounted for its investment in Magellan Life under the equity method pursuant to SSAP No. 97, “Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88”. For statutory reporting purposes, the admitted value of the investment in subsidiary reflects the statutory equity in net assets of Magellan Life.

For the year ended December 31, 2015, the \$5,223,013 increase in carrying value of the Company’s investment in Magellan Life is due in part to additional capital contributed to Magellan Life on December 21, 2015 in the amount of \$1,700,000. The remaining \$3,523,013 increase is reflected as an increase in net unrealized capital gains within the capital and surplus rollforward in the accompanying statement of revenue and expenses and is attributable to Magellan Life’s net income for the year. The increase in carrying value of the Company’s investment in Magellan Life of \$1,011,791 for the year-to-date period ended March 31, 2016 is reflected as an increase in net unrealized capital gains within the capital and surplus rollforward in the accompanying statement of revenue and expenses and is attributable to Magellan Life’s net income for the year-to-date period ending March 31, 2016.

NOTES TO FINANCIAL STATEMENTS

4 Discontinued Operations

None

5 Investments

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None
- (H) Restricted Assets

(1) Restricted Assets (Including Pledged):

| | 1 | 2 | 3 | 4 | 5 | 6 |
|--|--|--|----------------------------------|--|---|---|
| Restricted Asset Category | Total Gross Restricted from Current Year | Total Gross Restricted From Prior Year | Increase/ (Decrease) (1 minus 2) | Total Current Year Admitted Restricted | Percentage Gross Restricted to Total Assets | Percentage Admitted Restricted to Total Admitted Assets |
| a. Subject to contractual obligation for which liability is not shown | \$ - | \$ - | \$ - | \$ - | 0.0% | 0.0% |
| b. Collateral held under security lending agreements | | | | | | |
| c. Subject to repurchase agreements | | | | | | |
| d. Subject to reverse repurchase agreements | | | | | | |
| e. Subject to dollar repurchase agreements | | | | | | |
| f. Subject to dollar reverse repurchase agreements | | | | | | |
| g. Placed under option contracts | | | | | | |
| h. Letter stock or securities restricted as to sale - excluding FHLB capital stock | | | | | | |
| i. FHLB capital stock | | | | | | |
| j. On deposit with states | 2,686,198 | 2,685,864 | 334 | 2,686,198 | 3.3% | 3.3% |
| k. On deposit with other regulatory bodies | | | | | | |
| l. Pledged as collateral to FHLB (including assets backing funding agreements) | | | | | | |
| m. Pledged as collateral not captured in other categories | | | | | | |
| n. Other restricted assets | | | | | | |
| o. Total Restricted Assets | \$ 2,686,198 | \$ 2,685,864 | \$ 334 | \$ 2,686,198 | 3.3% | 3.3% |
| | | | | | | |
| | | | | | | |
| | | | | | | |

- (2) None
- (3) None
- (I) (1). None
- (2). None
- (3). None
- (J) None
- (K) None

6 Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships or limited liability companies.

The Company entered into a joint venture agreement with its ultimate parent company, Magellan Health, Inc. (“Magellan”), effective March 1, 2012. The joint venture agreement does not signify a joint venture investment, with no provision of equity interest included, but rather stipulates the responsibilities of the Company and Magellan with respect to a contract with the State of Louisiana Department of Health and Hospitals Office of Behavioral Health (the “State Contract”) that was awarded Magellan. Per the terms of the joint venture agreement, all revenues and claims costs associated with the State Contract are reported by the Company.

7 Investment Income

The Company admitted all investment income due and accrued as of December 31, 2015 and March 31, 2016, which totaled \$404,869 and \$274,317, respectively.

8 Derivative Instruments

None

9 Income Taxes

NOTES TO FINANCIAL STATEMENTS

For federal income tax reporting purposes, the Company’s operations are included in Magellan’s consolidated federal income tax returns. The Company has a tax allocation agreement with Magellan. The current agreement calls for an allocation based on Magellan’s effective income tax rate before reflecting the allocation and after affecting for permanent differences. Through the tax allocation agreement, the Company was allocated federal income tax charges of \$6,876,973 and \$339,233 for its share of Magellan’s federal income tax provisions for the year ended December 31, 2015 and the year-to-date period ended March 31, 2016, respectively. The Company pays premium taxes in lieu of state income taxes.

In accordance with the tax allocation agreement, allocated income taxes payable or recoverable are settled on a quarterly basis. In addition, any filings done on behalf of the Company that result in additional tax assessments or refunds from federal or state tax authorities are required to be settled within 30 days after execution of the document. In February 2016, the Company settled its allocated federal income tax payable related to 2015, with \$6,851,729 paid to Magellan, with the \$25,244 remaining balance to be paid in the 2nd Quarter 2016. The Company’s tax allocation agreement calls for federal income taxes to be computed on the basis of pre-tax book income adjusted for permanent book to tax differences. Accordingly, the Company has no deferred tax assets. That is, the Company is paid in cash by Magellan currently for any deferred tax assets before such assets are utilized by Magellan.

(A) None

(B) None

(C) Current income taxes incurred consist of the following major components:

| | (1) 3/31/2016 | (2) 12/31/2015 | (3) (Col 1-2) Change |
|--|------------------|-------------------|-------------------------|
| (1) Current Income Tax | | | |
| (a) Federal | \$ 339,233 | \$ 6,876,973 | \$ (6,537,740) |
| (b) Foreign | \$ - | \$ - | \$ - |
| (c) Subtotal | \$ 339,233 | \$ 6,876,973 | \$ (6,537,740) |
| (d) Federal income tax on net capital gains | \$ - | \$ - | \$ - |
| (e) Utilization of capital loss carry-forwards | \$ - | \$ - | \$ - |
| (f) Other | \$ - | \$ - | \$ - |
| (g) Federal and foreign income taxes incurred | \$ 339,233 | \$ 6,876,973 | \$ (6,537,740) |
| | | | |

(2) None

(3) None

(4) None

(D) None

(E) None

(F) For federal income tax reporting purposes, the Company’s operations are included in Magellan’s consolidated federal income tax returns. The Company has a tax allocation agreement with Magellan. The current agreement calls for an allocation based on Magellan’s effective income tax rate before reflecting the allocation and after affecting for permanent differences.

(G) None

10 Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

(A, B, & C) The Company is a direct subsidiary of Magellan Healthcare. Magellan Healthcare is a wholly owned subsidiary of Magellan. Magellan is engaged in the healthcare management business, and is focused on today’s most complex and costly healthcare services. As previously noted, the Company owns a 100 percent interest in Magellan Life. The carrying value of Magellan Life currently does exceed 10% of the Company’s admitted assets. The Company carries the investment at Magellan Life’s statutory net equity.

Effective March 1, 2012, the Company entered into a joint venture agreement with Magellan. The agreement was developed to assist in the administration of the State Contract that commenced on March 1, 2012, and outlines the Company’s and Magellan’s responsibilities under the State Contract. In addition, the joint venture agreement provides detail with respect to the administrative services to be provided by Magellan and the associated compensation that shall be paid to Magellan by the Company. The compensation charged by Magellan for these services includes an administrative services component that is based on stated percentages of premiums earned under the State Contract and a staffing and direct office costs component that represents direct expenses incurred and paid by Magellan in support of the State Contract. For the year ended December 31, 2015, the amount charged to the Company in connection with the joint venture

NOTES TO FINANCIAL STATEMENTS

agreement totaled \$26,681,016, with charges for administrative services and staffing and direct office costs totaling \$13,732,263 and \$12,948,753, respectively. For the year-to-date period ended March 31, 2016, the amount charged to the Company in connection with the joint venture agreement totaled \$2,037,959, with charges for administrative services and staffing and direct office costs totaling \$875,887 and \$1,162,072, respectively.

Effective January 1, 2016, the Company entered into an administrative agreement with Magellan Rx to provide pharmacy benefit management for the Medicare Part D members. Magellan Rx will provide network management, network access, help desk services, auditing, mail order pharmacy services, specialty pharmacy, formulary and rebate administration and other core administrative and value added administrative services. The administrative fee will be assessed on a per member, per month (pmpm) and totaled \$832,692 for the three months ending March 31, 2016.

Except for amounts due to other PDP’s, all claims paid and incurred for pharmacy claims are based on amounts billed by Magellan Rx filled by pharmacies in Magellan Rx’s pharmacy network. Additionally, all pharmaceutical rebates are received or receivable from Magellan Rx services, which contracts with pharmaceutical manufacturers for such rebates. Payment terms require settlement of rebates within one hundred and eighty days following the end of each contract quarter following receipt of such rebates by Magellan Rx.

(D) Amounts receivable from or payable to parent, subsidiaries and affiliates are non-interest bearing and are settled within ninety days of quarter-end. As of December 31, 2015, the Company reported \$2,604,883 as the amount receivable from parent, subsidiaries and affiliates, which was settled during the first quarter of 2016. As of March 31, 2016, the Company reported \$18,808,411 as the amount due to parent, subsidiaries and affiliates, which is primarily comprised of amounts due for uninsured pharmacy claims processed and management fees from the Parent. Under an administrative services agreement between Magellan Healthcare and the Company, Magellan Healthcare performs certain collection and payment activities on behalf of the Company. In addition, Magellan Healthcare performs certain administrative and operational functions, which includes legal, underwriting and accounting services. The amount charged to the Company in connection with these services for the year ended December 31, 2015 and the year-to-date period ended March 31, 2016 totaled \$96,700 and \$25,300, respectively

(E) None

(F) As mentioned above, under an administrative services agreement between Magellan Healthcare and the Company, Magellan Healthcare performs certain collection and payment activities on behalf of the Company. In addition, Magellan Healthcare performs certain administrative and operational functions, which includes legal, underwriting and accounting services. Also, the Company entered into a joint venture agreement with Magellan. The agreement was developed to assist in the administration of the State Contract that commenced on March 1, 2012, and outlines the Company’s and Magellan’s responsibilities under the State Contract. In addition, the joint venture agreement provides detail with respect to the administrative services to be provided by Magellan and the associated compensation that shall be paid to Magellan by the Company. The compensation charged by Magellan for these services includes an administrative services component that is based on stated percentages of premiums earned under the State Contract and a staffing and direct office costs component that represents direct expenses incurred and paid by Magellan in support of the State Contract.

(G) All outstanding shares of the Company are held by Magellan Healthcare as noted above.

(H) None

(I) As previously noted, the Company owns a 100 percent interest in Magellan Life. The carrying value of Magellan Life currently does exceed 10% of the Company’s admitted assets. The Company carries the investment at Magellan Life’s statutory net equity. The statement values of Magellan Life’s net admitted assets and liabilities as of December 31, 2015 were \$13,059,301 and \$3,953,836, respectively, with Magellan Life reporting net income of \$3,523,012 for the year ended December 31, 2015. The statement values of Magellan Life’s net admitted assets and liabilities as of March 31, 2016 were \$13,160,520 and \$3,043,264, respectively, with Magellan Life reporting net income of \$1,011,791 for the year-to-date period ended March 31, 2016. The Company received no dividends from Magellan Life during the year ended December 31, 2015 or the year-to-date period ended March 31, 2016.

(J) None

(K) None

(L) None

(M) None

(N) None

| | |
|----|---|
| 11 | Debt |
| | None |
| 12 | Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans |
| | None |
| 13 | Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations |

NOTES TO FINANCIAL STATEMENTS

- (1) The Company has 10,000,000 shares of common stock authorized, with 1,500,000 shares issued and outstanding at a \$1.00 par value.
- (2) The Company has no preferred stock issued or outstanding.
- (3) Dividends to stockholders are limited by the Illinois statute, and are generally payable from accumulated surplus funds that are derived from realized net operating profits on its business and realized net capital gains on its investments. Dividend requests over specified thresholds require approval of the Department.
- (4) No dividends were paid during 2015 or for the year-to-date period ended March 31, 2016.
- (5) There are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders, however it must not exceed 10% of the prior year capital & surplus.
- (6) There are no restrictions placed on the Company’s surplus, including for whom the surplus is being held.
- (7) The Company does not have any advances to surplus.
- (8) The Company does not hold any stock for special purposes.
- (9) The Company does not have a special surplus fund.
- (10) The Company’s unassigned funds (surplus) as of March 31, 2016 have been increased by cumulative unrealized capital gains of \$4,744,616 related to the Company’s investment in Magellan Life.
- (11) The Company has not issued surplus debentures or similar obligations.
- (12) The Company has not had any restatements due to quasi-reorganizations
- (13) Not applicable

14 **Liabilities, Contingencies and Assessments**

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.

The managed healthcare industry is subject to extensive and evolving federal and state regulations. Such laws and regulations cover, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, information privacy and security, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government investigations and allegations have become more frequent concerning possible violations of fraud and abuse and false claims statutes and regulations by healthcare organizations. Violators may be excluded from participating in government healthcare programs, subject to fines or penalties or required to repay amounts received from the government for previously billed services. A violation of such laws and regulations may have a material adverse effect on the Company.

The Company routinely assesses the collectability of its receivables. As of March 31, 2016, the Company admitted all assets.

15 **Leases**

None

16 **Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash, investments and receivables. The Company maintains its cash and investments with what it believes to be high-quality financial institutions, and invests in exempt money market funds, U.S. Treasury securities, obligations of U.S. government-sponsored agencies and high-quality commercial paper and corporate debt securities that are believed to have minimal credit risk. The Company’s receivables are primarily comprised of contract receivables, amounts receivable relating to uninsured plans and health insurer fee receivables, all of which are associated with the State Contract.

17 **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

None

18 **Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

- (A) ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans were as follows during 2016:

NOTES TO FINANCIAL STATEMENTS

| | ASO Uninsured Plans | Uninsured Portion of Partially Insured Plans | Total ASO |
|--|------------------------|--|--------------|
| (a) Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses | \$ 94,523 | \$ - | \$ 94,523 |
| (b) Total net other income or expensees (including interest paid to or received from plans) | \$ - | \$ - | \$ - |
| (c) Net gain or (loss) from operations | \$ 94,523 | \$ - | \$ 94,523 |
| (d) Total Claim payment volume | \$ 6,345,037 | \$ - | \$ 6,345,037 |

(B) None

(C) Medicare or other Similarly Structured Cost Based Reimbursement Contract:

- (1) Revenue and prescription drug amounts for the period ended March 31, 2016, exclude \$25,544,393 in subsidies from Centers for Medicare and Medicaid Services (“CMS”) for catastrophic reinsurance subsidies, low income cost sharing subsidies (“LICS” and the coverage gap discount program (“CGDP”) pursuant to the Company’s contracts with CMS.
- (2) As of March 31, 2016, amounts receivable relating to uninsured plans includes \$4,395,220 due from CMS or drug manufacturers for LICS, CGDP and drug costs covered by the catastrophic reinsurance feature. Amounts due from CMS for a plan year for LICS and drugs covered by the catastrophic reinsurance feature are typically settled in the fourth quarter of the following year.
- (3) As of March 31, 2016, there were no allowances or reserves for adjustment of recorded revenues.
- (4) The Company has made no adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

19 Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None

20 Fair Value Measurements

The Company currently does not have any assets or liabilities that are required to be measured and reported at fair value on a recurring basis.

21 Other Items

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None
- (H) None

22 Events Subsequent

Type I – Recognized Subsequent Events:

On January 1, 2014, the Company became subject to an annual fee assessed on entities that provide health insurance under the Affordable Care Act (“ACA”). The annual health insurer fee for the year ended December 31, 2014, which was paid in full during 2014, totaled \$1,844,644, and was based on net health premiums written during 2013 of \$128,503,105. The State of Louisiana Department of Health and Hospitals Office of Behavioral Health agreed to reimburse the Company for the annual health insurer fee, including the impact from non-deductibility of the fee for federal and state income tax purposes. The Company recognized revenues of \$2,901,961 for the year ended December 31, 2014 related to reimbursement of the impact of the annual health insurer fee. The annual health insurer fee for 2015, which will be based on net health premiums written in 2014 of \$128,776,985, is estimated to be approximately \$2,500,000. Reimbursement of this fee as well as the impact of the non-deductibility for the fee for federal and state income tax purposes will be provided by the State of Louisiana Department of Louisiana Department of Health and Hospitals Office of Behavioral Health. As such, the annual health insurer fee for 2015 is not expected to have a negative impact on the Company’s total capital and surplus. As of December 31, 2015, the Company recognized revenues of \$3,788,503 related to reimbursement of the impact of the annual health insurer fee and expenses of \$2,391,917 for the annual health insurer fee.

Type II – Nonrecognized Subsequent Events:

None

NOTES TO FINANCIAL STATEMENTS

| | | Current Year | Prior Year |
|--|--|---------------|----------------|
| A. Did the reporting entity write accident and health insurance premium that is subject of Section 9010 of the federal Affordable Care Act (YES/NO)? | | YES | |
| B. ACA fee assessment payable for the upcoming year | | \$ - | \$ 2,500,000 |
| C. ACA fee assessment paid | | \$ - | \$ 2,391,917 |
| D. Premium written subject to ACA 9010 assessment | | \$ 16,094,577 | \$ 118,542,460 |
| E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14) | | \$ 48,342,387 | |
| F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above) | | \$ 48,342,387 | |
| G. Authorized Control Level (Five-Year Historical Line 15) | | | |
| H. Would reporting the ACA assessment as of December 31, 2016 have triggered an RBC action level (YES/NO)? | | NO | |
| A. ACA fee assessment payable | | \$ - | |
| B. Assessment expected to impact RBC % | | 0% | |
| | | | |

23 Reinsurance

- (A) The Company has no ceded reinsurance.
- (B) The Company did not write off any uncollectible reinsurance balances during the year ended December 31, 2015 or the year-to-date period ended March 31, 2016.
- (C) The Company has no ceded reinsurance.
- (D) None

24 Retrospectively Rated Contracts & Contracts Subject to Redetermination

- (A) The Company’s Medicare Part D contract with CMS contains a risk corridor feature. Due to the risk corridor feature, the Company’s business is accounted for as a retrospectively rated contract. The Company estimates retrospective premium adjustments using a mathematical approach based on the Company’s underwriting experience. As of March 31, 2016, accrued retrospective premium adjustments were reported as aggregate health policy reserves in the amount of \$4,978,700 and as accrued retrospective premiums of \$4,978,700.
- (B) The Company records the risk corridor adjustment as an adjustment to earned premiums.
- (C) The amount of the retrospective premium risk corridor for the three months ended March 31, 2016 represented 48% of total premiums written.
- (D) None
- (E) The Company only provides coverage under a Medicare Part D contract and does not provide coverage subject to the ACA risk-sharing provisions.

25 Changes in Incurred Claims and Claim Adjustment Expenses

Changes in reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years are as follows:

| | |
|---|---------------------|
| Claims unpaid as of January 1, 2016 | \$ 9,213,524 |
| Current year claims paid related to prior years | (2,095 321) |
| Current year claims reversed related to prior years | <u>(3,212,070)</u> |
| Claims unpaid as of March 31, 2016 related to prior years | <u>\$ 3,906,133</u> |

26 Intercompany Pooling Arrangements

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None

27 Structured Settlements

None

28 Health Care Receivables

- (A) The Company has contracted with Magellan Rx for pharmaceutical rebates. Amounts recorded in the Company’s financial statements are determined based on the amounts Magellan Rx has collected or expects to collect as invoices or otherwise confirmed by Magellan Rx. The Company reports pharmaceutical rebates due to/from Magellan Rx as healthcare receivables. For the three months ended March 31, 2016, the Company recorded \$12,526,845 as healthcare receivables.

NOTES TO FINANCIAL STATEMENTS

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates As Billed or Otherwise Confirmed | Actual Rebates Received Within 90 days of Billing | Actual Rebates Received Within 91 to 180 Days of Billing | Actual Rebates Received More than 180 Days After Billing |
|-----------|--|---|---|--|--|
| 3/31/2016 | 12,526,845 | | | | |
| | | | | | |
| | | | | | |

(B) The Company has no risk sharing receivables.

29 Participating Policies

None

30 Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated claims and other acquisition costs, and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve and future installment premiums, if any, on existing contracts. As of December 31, 2015 and March 31, 2016 the Company held no premium deficiency reserves.

31 Anticipated Salvage and Subrogation

None

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes ☐ No ☒
- 1.2

If yes, has the report been filed with the domiciliary state?

Yes ☐ No ☐
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:
- 3.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2

Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes ☐ No ☒
- 3.3

If the response to 3.2 is yes, provide a brief description of those changes.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 Name of Entity | 2 NAIC Company Code | 3 State of Domicile |
|---------------------|------------------------|------------------------|
| | | |

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?

Yes ☐ No ☒ NA ☐
- If yes, attach an explanation.
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2010
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2010
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/26/2011
- 6.4

By what department or departments?
- 6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☐ No ☐ NA ☒
- 6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ NA ☐
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 7.2

If yes, give full information:
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐ No ☒
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐ No ☒
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

| 1 Affiliate Name | 2 Location (City, State) | 3 FRB | 4 OCC | 5 FDIC | 6 SEC |
|---------------------|--------------------------------|----------|----------|-----------|----------|
| | | | | | |

GENERAL INTERROGATORIES

9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

Yes [X] No []

9.11

If the response to 9.1 is No, please explain:
.....

9.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]

9.21

If the response to 9.2 is Yes, provide information related to amendment(s).
.....

9.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]

9.31

If the response to 9.3 is Yes, provide the nature of any waiver(s).
.....

FINANCIAL

10.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?.....

Yes [] No [X]

10.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$

INVESTMENT

11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes [] No [X]

11.2

If yes, give full and complete information relating thereto:
.....

12.

Amount of real estate and mortgages held in other invested assets in Schedule BA:\$0

13.

Amount of real estate and mortgages held in short-term investments:\$0

14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes [X] No []

14.2

If yes, please complete the following:

| | 1 | 2 |
|---|---|--|
| | Prior Year-End Book/Adjusted Carrying Value | Current Quarter Book/Adjusted Carrying Value |
| 14.21 Bonds | \$ | \$ |
| 14.22 Preferred Stock | \$ | \$ |
| 14.23 Common Stock | \$9,105,465 | \$10,117,256 |
| 14.24 Short-Term Investments | \$ | \$ |
| 14.25 Mortgage Loans on Real Estate | \$ | \$ |
| 14.26 All Other | \$ | \$ |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)..... | \$9,105,465 | \$10,117,256 |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above | \$ | \$ |

15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes [] No [X]

15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No []

If no, attach a description with this statement.

GENERAL INTERROGATORIES

- 16 For the reporting entity's security lending program, state the amount of the following as of the current statement date:
- 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

16.3 Total payable for securities lending reported on the liability page
- \$0

\$0

\$0

17. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?
- Yes [X] No []

- 17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

| 1 Name of Custodian(s) | 2 Custodian Address |
|--------------------------------|--|
| U.S Bank - Trust Services..... | 205 S. 5th Street, P.O. Box 19264, Springfield, IL 62794-9264..... |
| Wells Fargo N/A..... | P.O. Box 63020, San Francisco, CA 94163..... |

- 17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

| 1 Name(s) | 2 Location(s) | 3 Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?
- Yes [] No [X]

- 17.4 If yes, give full and complete information relating thereto:

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| | | | |

- 17.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1 Central Registration Depository | 2 Name(s) | 3 Address |
|--------------------------------------|--------------|--------------|
| | | |

- 18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed?
- Yes [X] No []

- 18.2 If no, list exceptions:
-

GENERAL INTERROGATORIES
PART 2 - HEALTH

| | | |
|-----|--|----------------|
| 1. | Operating Percentages: | |
| 1.1 | A&H loss percent..... | 93.9 % |
| 1.2 | A&H cost containment percent | 0.2 % |
| 1.3 | A&H expense percent excluding cost containment expenses..... | 30.0 % |
| 2.1 | Do you act as a custodian for health savings accounts?..... | Yes [] No [X] |
| 2.2 | If yes, please provide the amount of custodial funds held as of the reporting date..... | \$ |
| 2.3 | Do you act as an administrator for health savings accounts?..... | Yes [] No [X] |
| 2.4 | If yes, please provide the balance of the funds administered as of the reporting date..... | \$ |

STATEMENT AS OF MARCH 31, 2016 OF THE Merit Health Insurance Company

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

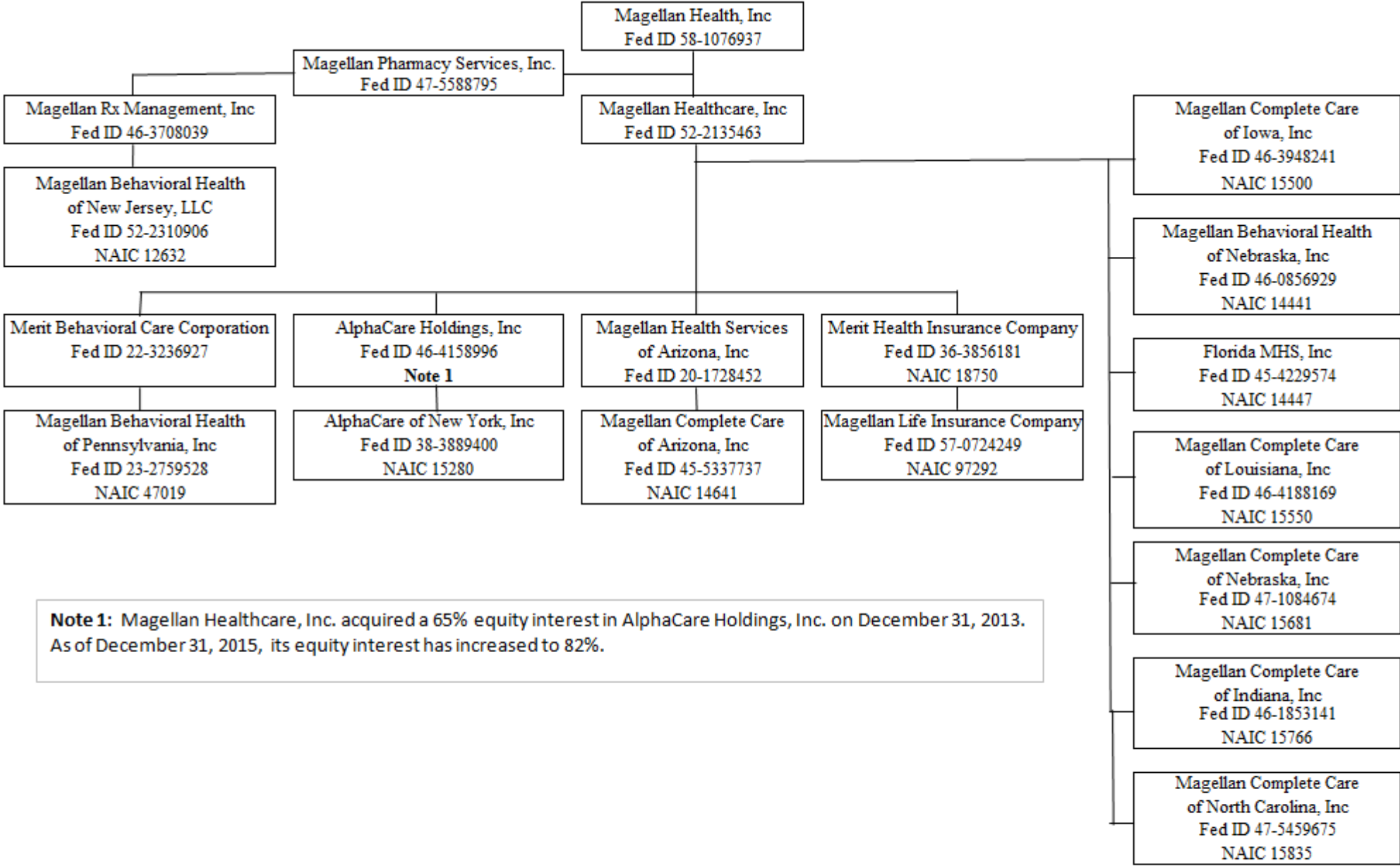
[illegible]

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

| Current Year to Date - Allocated by States and Territories | | | | | | | | | | |
|--|------------------------|-------------------------------------|-------------------------------|-----------------------------|---|---|----------------------------------|--------------------------------|-----------------------------|---|
| States, Etc. | 1 Active Status | Direct Business Only | | | | | | | | |
| | | 2 Accident & Health Premiums | 3 Medicare Title XVIII | 4 Medicaid Title XIX | 5 Federal Employees Health Benefits Program Premiums | 6 Life & Annuity Premiums & Other Considerations | 7 Property/ Casualty Premiums | 8 Total Columns 2 Through 7 | 9 Deposit-Type Contracts | |
| 1. Alabama | AL | N | | | | | | 0 | | |
| 2. Alaska | AK | N | | | | | | 0 | | |
| 3. Arizona | AZ | L | 412,031 | | | | | 412,031 | | |
| 4. Arkansas | AR | L | 224,499 | | | | | 224,499 | | |
| 5. California | CA | N | | | | | | 0 | | |
| 6. Colorado | CO | L | 133,119 | | | | | 133,119 | | |
| 7. Connecticut | CT | N | | | | | | 0 | | |
| 8. Delaware | DE | L | 67,418 | | | | | 67,418 | | |
| 9. Dist. Columbia | DC | L | 89,226 | | | | | 89,226 | | |
| 10. Florida | FL | N | | | | | | 0 | | |
| 11. Georgia | GA | L | 412,153 | | | | | 412,153 | | |
| 12. Hawaii | HI | N | | | | | | 0 | | |
| 13. Idaho | ID | L | 48,897 | | | | | 48,897 | | |
| 14. Illinois | IL | L | 395,194 | | | | | 395,194 | | |
| 15. Indiana | IN | L | 273,812 | | | | | 273,812 | | |
| 16. Iowa | IA | L | 144,961 | | | | | 144,961 | | |
| 17. Kansas | KS | N | | | | | | 0 | | |
| 18. Kentucky | KY | L | 274,183 | | | | | 274,183 | | |
| 19. Louisiana | LA | L | 170,523 | (16,589) | | | | 153,935 | | |
| 20. Maine | ME | L | 101,713 | | | | | 101,713 | | |
| 21. Maryland | MD | L | 448,274 | | | | | 448,274 | | |
| 22. Massachusetts | MA | N | | | | | | 0 | | |
| 23. Michigan | MI | L | 333,368 | | | | | 333,368 | | |
| 24. Minnesota | MN | L | 90,464 | | | | | 90,464 | | |
| 25. Mississippi | MS | N | | | | | | 0 | | |
| 26. Missouri | MO | L | 172,873 | | | | | 172,873 | | |
| 27. Montana | MT | L | 45,337 | | | | | 45,337 | | |
| 28. Nebraska | NE | L | 113,616 | | | | | 113,616 | | |
| 29. Nevada | NV | N | | | | | | 0 | | |
| 30. New Hampshire | NH | L | 105,003 | | | | | 105,003 | | |
| 31. New Jersey | NJ | N | | | | | | 0 | | |
| 32. New Mexico | NM | L | 21,619 | | | | | 21,619 | | |
| 33. New York | NY | N | 2,190,651 | | | | | 2,190,651 | | |
| 34. North Carolina | NC | L | 671,189 | | | | | 671,189 | | |
| 35. North Dakota | ND | L | 40,345 | | | | | 40,345 | | |
| 36. Ohio | OH | N | | | | | | 0 | | |
| 37. Oklahoma | OK | N | | | | | | 0 | | |
| 38. Oregon | OR | N | | | | | | 0 | | |
| 39. Pennsylvania | PA | L | 265,651 | | | | | 265,651 | | |
| 40. Rhode Island | RI | N | | | | | | 0 | | |
| 41. South Carolina | SC | N | | | | | | 0 | | |
| 42. South Dakota | SD | L | 49,635 | | | | | 49,635 | | |
| 43. Tennessee | TN | L | 764,325 | | | | | 764,325 | | |
| 44. Texas | TX | L | 686,274 | | | | | 686,274 | | |
| 45. Utah | UT | L | 47,223 | | | | | 47,223 | | |
| 46. Vermont | VT | N | | | | | | 0 | | |
| 47. Virginia | VA | L | 1,416,684 | | | | | 1,416,684 | | |
| 48. Washington | WA | N | | | | | | 0 | | |
| 49. West Virginia | WV | L | 96,061 | | | | | 96,061 | | |
| 50. Wisconsin | WI | N | | | | | | 0 | | |
| 51. Wyoming | WY | N | | | | | | 0 | | |
| 52. American Samoa | AS | N | | | | | | 0 | | |
| 53. Guam | GU | N | | | | | | 0 | | |
| 54. Puerto Rico | PR | N | | | | | | 0 | | |
| 55. U.S. Virgin Islands | VI | N | | | | | | 0 | | |
| 56. Northern Mariana Islands | MP | N | | | | | | 0 | | |
| 57. Canada | CAN | N | | | | | | 0 | | |
| 58. Aggregate other alien | OT | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 59. Subtotal | XXX | 10,306,319 | 0 | (16,589) | 0 | 0 | 0 | 10,289,731 | 0 | 0 |
| 60. Reporting entity contributions for Employee Benefit Plans | XXX | | | | | | | 0 | | |
| 61. Total (Direct Business) | (a) 30 | 10,306,319 | 0 | (16,589) | 0 | 0 | 0 | 10,289,731 | 0 | 0 |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 58001 | XXX | | | | | | | | | |
| 58002 | XXX | | | | | | | | | |
| 58003 | XXX | | | | | | | | | |
| 58998 Summary of remaining write-ins for Line 58 from overflow page. | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 58999 Totals (Lines 58001 through 58003 plus 58998) (Line 58 above) | XXX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.
(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y
PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|------------|-----------------------|-------------------|------------|--------------|------------|--|---|----------------------|----------------------------------|--|--|--|---|----|
| Group Code | Group Name | NAIC Company Code | ID Number | Federal RSSD | CIK | Name of Securities Exchange if Publicly Traded (U.S. or International) | Name of Parent Subsidiaries or Affiliates | Domiciliary Location | Relationship to Reporting Entity | Directly Controlled by (Name of Entity/Person) | Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other) | If Control is Ownership Provide Percentage | Ultimate Controlling Entity(ies)/ Person(s) | * |
| | | | | | 0000019411 | NASDAQ | Magellan Health, Inc. | | UIP | Stockholders | Ownership - no individual 10% or greater | 100.0 | | .0 |
| 01260 | Magellan Health, Inc. | 12632 | 52-2310906 | | | | Magellan Rx Management, Inc. Magellan Behavioral Health of New Jersey, LLC | NJ | NIA IA | Magellan Health, Inc. Magellan Rx, Management Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| | | | | | | | Magellan Healthcare, Inc. Merit Behavioral Care Corporation | | UDP | Magellan Health, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 47019 | 23-2759528 | | | | Magellan Behavioral Health of Pennsylvania, Inc. | PA | NIA IA | Magellan Healthcare, Inc. Merit Behavioral Care Corporation | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 18750 | 36-3856181 | | | | Merit Health Insurance Company | IL | RE | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 97292 | 57-0724249 | | | | Magellan Life Insurance Company | DE | DS | Magellan Health Insurance Company | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 14447 | 45-4229574 | | | | Florida MHS, Inc. | FL | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 14441 | 46-0856929 | | | | Magellan Behavioral Health of Nebraska, Inc. Magellan Health Services of Arizona, Inc. | NE | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| | | 00000 | | | | | Magellan Complete Care of Arizona, Inc. | | NIA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 14641 | 45-5337737 | | | | Magellan Complete Care of Arizona, Inc. | AZ | IA | Magellan Health Services of Arizona, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 15500 | 46-3948241 | | | | Magellan Complete Care of Iowa, Inc. | IA | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| | | | | | | | AlphaCare Holdings, Inc. | | NIA | Magellan Healthcare, Inc. | Ownership | 82.0 | Magellan Health, Inc. | .0 |
| | | 15280 | 38-3889400 | | | | AlphaCare of New York, Inc. | NY | IA | AlphaCare Holdings, Inc. | Ownership | 82.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 15550 | 46-4188169 | | | | Magellan Complete Care of Louisiana, Inc. | LA | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 15681 | 47-1084674 | | | | Magellan Complete Care of Nebraska, Inc. | NE | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 15766 | 46-1853141 | | | | Magellan Complete Care of Indiana, Inc. | IN | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| 01260 | Magellan Health, Inc. | 15835 | 47-5459675 | | | | Magellan Complete Care of North Carolina, Inc. | NC | IA | Magellan Healthcare, Inc. | Ownership | 100.0 | Magellan Health, Inc. | .0 |
| | | | | | | | | | | | | .0 | | .0 |
| | | | | | | | | | | | | .0 | | .0 |
| | | | | | | | | | | | | .0 | | .0 |
| | | | | | | | | | | | | .0 | | .0 |

| | |
|----------|-------------|
| Asterisk | Explanation |
| | |

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

.....YES.....

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A – VERIFICATION

Real Estate

| | 1 | 2 |
|--|--------------|---------------------------------|
| | Year To Date | Prior Year Ended December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | | 0 |
| 2.2 Additional investment made after acquisition | | 0 |
| 3. Current year change in encumbrances | | 0 |
| 4. Total gain (loss) on disposals | | 0 |
| 5. Deduct amounts received on disposals | | 0 |
| 6. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 7. Deduct current year's other-than-temporary impairment recognized | | 0 |
| 8. Deduct current year's depreciation | | 0 |
| 9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) | 0 | 0 |
| 10. Deduct total nonadmitted amounts | 0 | 0 |
| 11. Statement value at end of current period (Line 9 minus Line 10) | 0 | 0 |

SCHEDULE B – VERIFICATION

Mortgage Loans

| | 1 | 2 |
|---|--------------|---------------------------------|
| | Year To Date | Prior Year Ended December 31 |
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | | 0 |
| 2.2 Additional investment made after acquisition | | 0 |
| 3. Capitalized deferred interest and other | | 0 |
| 4. Accrual of discount | | 0 |
| 5. Unrealized valuation increase (decrease) | | 0 |
| 6. Total gain (loss) on disposals | | 0 |
| 7. Deduct amounts received on disposals | | 0 |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees | | 0 |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest | | 0 |
| 10. Deduct current year's other-than-temporary impairment recognized | | 0 |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 0 | 0 |
| 12. Total valuation allowance | | 0 |
| 13. Subtotal (Line 11 plus Line 12) | 0 | 0 |
| 14. Deduct total nonadmitted amounts | 0 | 0 |
| 15. Statement value at end of current period (Line 13 minus Line 14) | 0 | 0 |

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

| | 1 | 2 |
|--|--------------|---------------------------------|
| | Year To Date | Prior Year Ended December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year | 0 | 0 |
| 2. Cost of acquired: | | |
| 2.1 Actual cost at time of acquisition | | 0 |
| 2.2 Additional investment made after acquisition | | 0 |
| 3. Capitalized deferred interest and other | | 0 |
| 4. Accrual of discount | | 0 |
| 5. Unrealized valuation increase (decrease) | | 0 |
| 6. Total gain (loss) on disposals | | 0 |
| 7. Deduct amounts received on disposals | | 0 |
| 8. Deduct amortization of premium and depreciation | | 0 |
| 9. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 10. Deduct current year's other-than-temporary impairment recognized | | 0 |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 0 | 0 |
| 12. Deduct total nonadmitted amounts | 0 | 0 |
| 13. Statement value at end of current period (Line 11 minus Line 12) | 0 | 0 |

SCHEDULE D – VERIFICATION

Bonds and Stocks

| | 1 | 2 |
|---|--------------|---------------------------------|
| | Year To Date | Prior Year Ended December 31 |
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 22,269,002 | 30,548,125 |
| 2. Cost of bonds and stocks acquired | | 7,968,863 |
| 3. Accrual of discount | 452 | 2,492 |
| 4. Unrealized valuation increase (decrease) | 1,011,791 | 3,523,013 |
| 5. Total gain (loss) on disposals | | 5,624 |
| 6. Deduct consideration for bonds and stocks disposed of | | 19,457,451 |
| 7. Deduct amortization of premium | 54,678 | 321,665 |
| 8. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 9. Deduct current year's other-than-temporary impairment recognized | | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 23,226,566 | 22,269,002 |
| 11. Deduct total nonadmitted amounts | 0 | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 23,226,566 | 22,269,002 |

STATEMENT AS OF MARCH 31, 2016 OF THE Merit Health Insurance Company

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

| NAIC Designation | 1 Book/Adjusted Carrying Value Beginning of Current Quarter | 2 Acquisitions During Current Quarter | 3 Dispositions During Current Quarter | 4 Non-Trading Activity During Current Quarter | 5 Book/Adjusted Carrying Value End of First Quarter | 6 Book/Adjusted Carrying Value End of Second Quarter | 7 Book/Adjusted Carrying Value End of Third Quarter | 8 Book/Adjusted Carrying Value December 31 Prior Year |
|-----------------------------------|---|--|--|---|---|--|---|---|
| BONDS | | | | | | | | |
| 1. NAIC 1 (a)..... | 44,791,925 | 15,864,588 | 22,416,679 | (194,505) | 38,045,329 | 0 | 0 | 44,791,925 |
| 2. NAIC 2 (a)..... | 2,005,866 | | 2,000,000 | (5,866) | 0 | 0 | 0 | 2,005,866 |
| 3. NAIC 3 (a)..... | 0 | | | | 0 | 0 | 0 | 0 |
| 4. NAIC 4 (a)..... | 0 | | | | 0 | 0 | 0 | 0 |
| 5. NAIC 5 (a)..... | 0 | | | | 0 | 0 | 0 | 0 |
| 6. NAIC 6 (a)..... | 0 | | | | 0 | 0 | 0 | 0 |
| 7. Total Bonds | 46,797,791 | 15,864,588 | 24,416,679 | (200,370) | 38,045,329 | 0 | 0 | 46,797,791 |
| PREFERRED STOCK | | | | | | | | |
| 8. NAIC 1 | 0 | | | | 0 | 0 | 0 | 0 |
| 9. NAIC 2 | 0 | | | | 0 | 0 | 0 | 0 |
| 10. NAIC 3 | 0 | | | | 0 | 0 | 0 | 0 |
| 11. NAIC 4 | 0 | | | | 0 | 0 | 0 | 0 |
| 12. NAIC 5 | 0 | | | | 0 | 0 | 0 | 0 |
| 13. NAIC 6 | 0 | | | | 0 | 0 | 0 | 0 |
| 14. Total Preferred Stock..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15. Total Bonds & Preferred Stock | 46,797,791 | 15,864,588 | 24,416,679 | (200,370) | 38,045,329 | 0 | 0 | 46,797,791 |

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$; NAIC 2 \$;

NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$

SCHEDULE DA - PART 1
Short-Term Investments

| | 1 | 2 | 3 | 4 | 5 |
|---------|---------------------------------|-----------|-------------|------------------------------------|--|
| | Book/Adjusted Carrying Value | Par Value | Actual Cost | Interest Collected Year To Date | Paid for Accrued Interest Year To Date |
| 9199999 | 21,030,783 | xxx | 21,202,151 | 215,814 | 41,541 |

SCHEDULE DA - VERIFICATION
Short-Term Investments

| | 1 | 2 |
|--|--------------|---------------------------------|
| | Year To Date | Prior Year Ended December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year..... | 31,634,782 | 21,330,383 |
| 2. Cost of short-term investments acquired | 11,959,289 | 61,720,589 |
| 3. Accrual of discount | 3,240 | 0 |
| 4. Unrealized valuation increase (decrease)..... | | 0 |
| 5. Total gain (loss) on disposals | | (1,705) |
| 6. Deduct consideration received on disposals | 22,416,679 | 50,649,861 |
| 7. Deduct amortization of premium..... | 149,849 | 764,624 |
| 8. Total foreign exchange change in book/adjusted carrying value..... | | 0 |
| 9. Deduct current year's other-than-temporary impairment recognized..... | | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | 21,030,783 | 31,634,782 |
| 11. Deduct total nonadmitted amounts..... | | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 21,030,783 | 31,634,782 |

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E - VERIFICATION
(Cash Equivalents)

| | 1 Year To Date | 2 Prior Year Ended December 31 |
|---|----------------------|--------------------------------------|
| 1. Book/adjusted carrying value, December 31 of prior year..... | 1,999,471 | 0 |
| 2. Cost of cash equivalents acquired | 3,905,299 | 11,994,207 |
| 3. Accrual of discount | 3,062 | 5,263 |
| 4. Unrealized valuation increase (decrease) | | 0 |
| 5. Total gain (loss) on disposals..... | | 0 |
| 6. Deduct consideration received on disposals | 2,000,000 | 10,000,000 |
| 7. Deduct amortization of premium | 2,598 | 0 |
| 8. Total foreign exchange change in book/adjusted carrying value | | 0 |
| 9. Deduct current year's other than temporary impairment recognized | | 0 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 3,905,233 | 1,999,471 |
| 11. Deduct total nonadmitted amounts | | 0 |
| 12. Statement value at end of current period (Line 10 minus Line 11) | 3,905,233 | 1,999,471 |

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

STATEMENT AS OF MARCH 31, 2016 OF THE Merit Health Insurance Company

SCHEDULE E - PART 1 - CASH

[illegible]

SCHEDULE E - PART 2 - CASH EQUIVALENTS

E13



SUPPLEMENT FOR THE QUARTER ENDING MARCH 31, 2016 OF THE Merit Health Insurance Company

MEDICARE PART D COVERAGE SUPPLEMENT

(Net of Reinsurance)

NAIC Group Code.....01260

NAIC Company Code.....18750

| | Individual Coverage | | Group Coverage | | 5 Total Cash |
|---|---------------------|----------------|----------------|----------------|--------------------|
| | 1 Insured | 2 Uninsured | 3 Insured | 4 Uninsured | |
| 1. Premiums Collected..... | 9,816,967 | XXX | | XXX | 9,816,967 |
| 2. Earned Premiums | 15,285,019 | XXX | | XXX | XXX |
| 3. Claims Paid..... | 8,711,490 | XXX | | XXX | 8,711,490 |
| 4. Claims Incurred..... | 15,623,035 | XXX | | XXX | XXX |
| 5. Reinsurance Coverage and Low Income Cost Sharing – Claims Paid Net of Reimbursements Applied (a)..... | XXX | 3,826,040 | XXX | | 3,826,040 |
| 6. Aggregate Policy Reserves - Change..... | 0 | XXX | | XXX | XXX |
| 7. Expenses Paid..... | 860,088 | XXX | | XXX | 860,088 |
| 8. Expenses Incurred..... | 860,088 | XXX | | XXX | XXX |
| 9. Underwriting Gain or Loss..... | (1,198,104) | XXX | 0 | XXX | XXX |
| 10. Cash Flow Result | XXX | XXX | XXX | XXX | (3,580,651) |

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$4,395,220 due from CMS or \$due to CMS